

# Briefing Retail sector

July 2015



Image: Sincere Plaza, Jiefangbei CBD

## SUMMARY

Four of the five new retail projects expected in the second half of 2015 are located in emerging retail areas, indicating the decentralisation of the retail market.

- In the first five months of 2015, overall retail sales rose 11.3% year-on-year (YoY) to approximately RMB256.78 billion.

- Sincere Plaza in Jiefangbei CBD was launched onto the market in Q2/2015, adding approximately 45,000 sq m.

- City-wide prime shopping mall vacancy rates fell 1.2 percentage

points (ppts) quarter-on-quarter (QoQ) to 2.1%.

- Prime shopping mall rents remained flat at an average of RMB23.4 per sq m per day.

- Two retail projects, Guotai Plaza in Jiefangbei CBD and Jialing Tiandi Ph1 in Huolongqiao area, are expected to be handed over during the next quarter, adding a combined GFA of 100,000 sq m to the market.

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 “New supply, such as Jialing Tiandi Ph1 in Hualongqiao area and Wanda Plaza in Ba'n'an area, is expected to attract residents to shop in local areas instead of prime retail hubs, leading to increasing rents in emerging areas.” Dave Law, Savills Research  
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➔ **Market overview**

Chongqing retail sales totalled RMB256.78 billion in the first five months of 2015, up 11.3% YoY. F&B sales reached RMB20.2 billion, up 18.2% YoY, while clothing sales totalled RMB12.3 billion, up 9.1% YoY.

**Vacancy rates**

City-wide retail vacancy rates fell 1.2 ppts in Q2/2015 to 2.1%. In prime retail precincts<sup>1</sup>, vacancy rates increased 0.2% QoQ to 2.7%. As certain projects are undergoing repositioning and/or tenant adjustment, for example Metropolitan Oriental Plaza in Jiefangbei CBD and Stage Mall in Guanyinqiao area,

<sup>1</sup>Primeretailprecincts:JiefangbeiCBDandGuanyinqiao

downward pressure on occupancy rates is being seen.

Non-prime retail precincts<sup>2</sup> saw vacancy rates fall 2.7 ppts QoQ to 1.4%. This can be attributed to the strong performance of projects attracting new tenants, such as the MixC Mall in Yangjiaping area and the New Era Shopping Mall in Shapingba area.

Shopping mall first-floor rents remained flat at an average of RMB23.4 per sq m per day in Q2/2015. Primary retail area rents are witnessing a downward pressure, falling 1.0% QoQ to RMB25.7 per sq m per day, as certain projects applied flexible fixed rent strategies to attract more popular retailers.

Secondary retail area rents rose 2.3% QoQ to RMB19.1 per sq m per day. Projects such as MixC Mall continue to attract high-quality tenants, allowing for positive rental appreciation.

**Retailer information**

**Under Armour launched the first store in western China – North Paradise Walk, Guanyinqiao**

Pedder Red, the affordable luxury brand under Pedder Group offering shoes, bags and accessories, opened its first store in Chongqing.

This followed the first store in Shanghai. Its third store is scheduled to open in Chengdu.

**Palace Cinemas opened another two stores in Chongqing – Jialing Tiandi Ph1, Hualongqiao & Sincere Plaza, Jiefangbei CBD**

Palace Cinemas, the high-end brand of Broadway Cinemas, launched a

<sup>2</sup>Non-prime retail precincts:Shapingba,Yangjiaping and Nan' ping.

second store in Jialing Tiandi Ph1 in Hualongqiao area in June, following the first in the MixC Mall. Its third store is reported to be opening in Sincere Plaza at the end of June.

**Brotzeit launched its first store in Chongqing – MixC Mall, Yangjiaping**

Brotzeit, the world-famous German beer brand, opened its first store in the MixC Mall in Yangjiaping area in May. The new store is its fourth store in China following stores in Shanghai, Shenzhen and Wuhan.

**Project news**

**Wanda will construct a large-scale Wanda Cultural Tourism City and 10 Wanda Plazas in Chongqing over the next five years**

On 21 May, the Chongqing government and Wanda Group signed a strategic cooperation agreement. Over the next five years, Wanda will invest RMB150 billion to construct a Wanda Cultural Tourism City, including shopping malls, outdoor parks, culture centres and hotels, located in Shapingba district, and ten Wanda Plazas located in the main cities and counties of Chongqing.

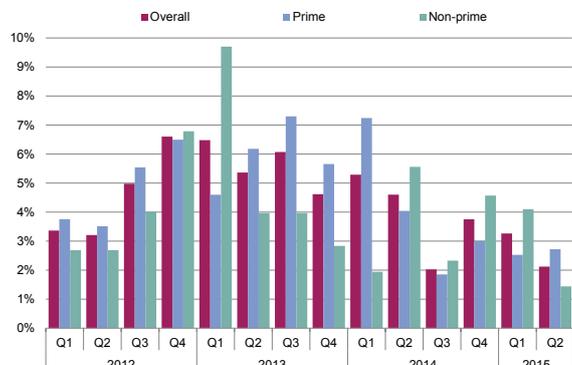
**Sincere Plaza opened on 30 June, 2015**

Sincere Plaza, located in Jiefangbei area, opening at the end of June, adding 45,000 sq m to the Chongqing retail market. With six floors in total, Sincere Plaza is positioned in the high-end market, introducing fashion brands including Vivienne Westwood, Maje and Sando to Chongqing for the first time.

**Time Paradise Walk Ph3 is positioned as an entertainment shopping mall**

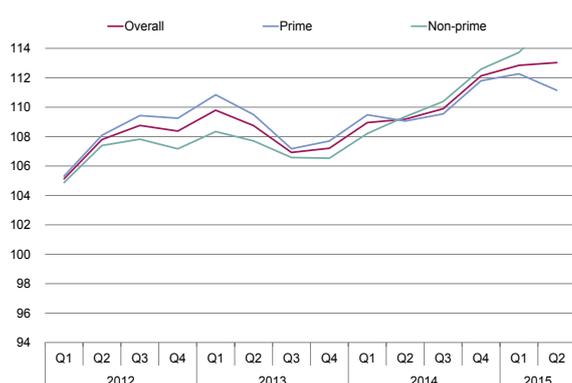
Time Paradise Walk Ph3 is scheduled

CHART 1 **Vacancy rates by area, Q1/2012–Q2/2015**



Source: Savills Research

CHART 2 **Retail rental indices, Q1/2012–Q2/2015**



Source: Savills Research

to open in April 2016. The new project, occupying approx 80,000 sq m, will take the position of “entertainment motivates retail sales” to attract young people with the introduction of funny and creative entertainment retailers, such as Blue Speed Kart Club and Taroko Bowling.

**Market outlook**

Five retail projects are expected to be handed over in the remainder

of 2015, adding more than 262,000 sq m of retail space to the market. Four of the five new retail projects expected in 2H/2015 are located in emerging retail areas such as Hualongqiao and Ba’nan. This indicates the decentralisation trend of the retail market.

These new projects, including Shui On Jialing Tiandi and Wanda Plaza, are expected to upgrade the overall

retail ambience in emerging areas with mid- to high-end brands.

The new high-quality projects will attract residents to shop in local areas instead of prime retail areas, leading to an upward trend of rents in emerging areas. ■

TABLE 1  
**Selected future supply**

Project name	Location	Expected completion	Retail GFA (sq m)
Guotai Plaza	Jiefangbei CBD	Q3/2015	50,000
Jialing Tiandi Ph1	Huolongqiao	Q3/2015	50,000
Wanda Plaza	Ba’nan	Q4//2015	100,000
Starlight World	Daping	Q4//2015	50,000
RJ8 Center	Xinpaifang	Q4//2015	12,000

Source: Savills Research

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